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Venezuela

Coffee

Annual

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Approved by:

Leanne E. Hogie

U.S. Embassy, Caracas

Prepared by:

Clara Nuñez

Report Highlights:

Venezuelan coffee production continues to increase due to good weather conditions and newer trees coming into production. However, domestic coffee consumption remains low due to the recession and the availability of alternative beverages. In addition, coffee exports are stagnant as the high domestic price of coffee keeps it out of the international markets. These factors have led to a ballooning of stocks which may soon total an entire year's consumption. Without some intervention by the government, significant losses in the coffee sector are likely as stocks will have to be disposed of.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Caracas [VE1], VE

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Executive Summary

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PSD Table						
Country	Venezuela					
Commodity	Coffee, Green				(1000 HA)(MILLION TREES)(1000 60 KG BAGS)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Planted	310	310	315	310	0	310
Area Harvested	310	280	310	280	0	280
Bearing Trees	610	610	610	610	0	610
Non-Bearing Trees	10	20	10	20	0	20
TOTAL Tree Population	620	630	620	630	0	630
Beginning Stocks	194	194	519	407	0	582
Arabica Production	1125	1027	1135	1065	0	1070
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
TOTAL Production	1125	1027	1135	1065	0	1070
Bean Imports	60	60	20	20	0	20
Roast & Ground Imports	40	40	40	20	0	20
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	100	100	60	40	0	40
TOTAL SUPPLY	1419	1321	1714	1512	0	1692
Bean Exports	150	144	400	150	0	200
Roast & Ground Exports	30	30	30	30	0	30
Soluble Exports	5	5	5	5	0	5
TOTAL Exports	185	179	435	185	0	235
Rst,Ground Dom. Consum	700	720	710	730	0	750
Soluble Dom. Consum.	15	15	15	15	0	15
TOTAL Dom. Consumption	715	735	725	745	0	765
Ending Stocks	519	407	554	582	0	692
TOTAL DISTRIBUTION	1419	1321	1714	1512	0	1692

Export Trade Matrix			
Country	Venezuela		
Commodity	Coffee, Green		
Time period	Oct/Sep	Units:	MT
Exports for:	2001		2002
U.S.	79	U.S.	
Others		Others	
UK	38		
Netherlands	27		
Total for Others	65		0
Others not Listed			
Grand Total	144		0

Source: Venezuelan Statistic Institute (INE, Instituto Nacional de Estadísticas)

Prices Table			
Country	Venezuela		
Commodity	Coffee, Green		
Prices in	Bolivars	per uom	Kilo
Year	2000	2001	% Change
Jan	3307.2	3718.56	12.44%
Feb	3460.6	3726.52	7.68%
Mar	3663.92	3669.96	0.16%
Apr	3738.04	3669.88	-1.82%
May	3758.08	3618	-3.73%
Jun	3770.72	3588.16	-4.84%
Jul	3760.04	3536.72	-5.94%
Aug	3734.64	3469.32	-7.10%
Sep	3745.24	3413	-8.87%
Oct	3733.04	3427.56	-8.18%
Nov	3730.16	3443.12	-7.70%
Dec	3710.36	3450.96	-6.99%
Exchange Rate	760	Local currency/US \$	

Source: Venezuelan Central Bank (Banco Central de Venezuela)

Production

Most of the coffee produced in Venezuela is Arabica coffee, of generally very high quality and compares favorably with Colombian coffee. While there has been very little change in the area or number of trees planted in recent years, production has been increasing. Production in 2000/01 was 1,027 bags (60 kg), and is estimated to increase to 1,065 bags in 2001/02 and even further to 1,070 bags forecast for 2002/03. This overall increase in production is attributed to the trees that were replaced in 1995 and 1996 now coming into full production and at better yields. In addition, all the climatic conditions were optimum for the 2002/03 crop with a good flowering season and good rains over the majority of the coffee growing area.

The main producing areas in Venezuela are located in the Lara and Portuguesa States which are expected to produce approximately 57 percent of total domestic production during 2001/02 harvest. Yields have tended to be low on the typical Venezuelan coffee farm due to relatively low density of coffee trees. In addition, about 20 percent of the coffee farms in the country are extremely small holdings, farmed by "campesinos" and have a very low level of technology. Average yields in 2000/01 were 4.9 bags per hectare.

Consumption

Coffee consumption was estimated at 720,000 bags in 2000/01, and is expected to show only slight increases over the next two years. Consumption had been declining since 1998 as more alternatives became available in the local market such as soft drinks and teas. While per capita coffee consumption in Venezuela was at one time as high as 3 kilograms/person, it is now estimated at only 1.8 kg per year.

The Venezuelan government has no major programs to promote either the consumption of coffee or the image and quality of the Venezuelan product. The government has purchased surplus coffee stocks in the past for sale to lower income families through its official food security program, PROAL (Programa de Alimentos Estratégicos). However, this program has had little effect on raising overall coffee consumption in the country.

Venezuelan consumers generally enjoy several cups of coffee each day in a wide spread of combinations and mixtures. Some local companies are working to increase coffee consumption by developing marketing campaign, placing more coffee and coffee products in vending machines and establishing more coffee points of sale around the country.

Trade

Venezuela has been exporting coffee for more than 200 years and had some of the finest coffees in the world, such as Venezuela Blue. However, as the oil industry grew in importance, most of the investment attention was drawn away from agriculture and from coffee production during the twentieth century. Green coffee traditionally makes up about 90 percent of the exports, with some roast and ground exports and very small quantities of soluble coffee exports.

The United States is the major market for Venezuela coffee exports with eighty percent of total exports going there and the rest to the European Union. Many Venezuelan producers have established direct marketing arrangements with foreign buyers. The Rothfos Corporation located in New York is the leading purchaser of the Venezuelan coffee beans.

Coffee exports have decreased significantly since the 1998/99 harvest because Venezuelan coffee since that time has generally been priced above world market prices. The government and the processors have generally agreed to a price band for coffee running between Bs. 40,000 to Bs. 57,000/quintal (or around 42 to 62 cents/lb. at a 920 exchange rate). They feel that is the price that producers need to stay in business and until the devaluation of the bolivar in February 2002 that price was even 20 percent higher in the export market. Given the recent surplus of coffee on the international markets and the resulting slump in prices, Venezuelan product has become extremely difficult to export.

Compounding the situation is that the high domestic prices have made Venezuela a magnet for contraband coffee from Colombia. The exact amount of these "cross-border" movements of coffee is unknown but they may reach as high as 100,000 bags.

The Venezuelan Cocoa and Coffee Exporters Association (CAPEC) and the Venezuelan Association of Coffee Processors (AVIC) have both expressed concern about the weak situation for exports and are looking to the government to provide some support to the sector. Post is projecting a slight increase in coffee exports since the devaluation of the bolivar will make domestic product more competitive on the world market, and processors are working to develop more niche and speciality markets for their coffee.

The only initiative by the government to promote coffee exports was a recent announcement that they would try to barter 300,000 bags of coffee to Russia in exchange for tractors and other farm equipment. This proposal is still in the initial stage, but there are large stocks of low quality coffee available which might fit with the Russian market for instant coffee.

Stocks

Higher production combined with lower consumption and exports has led to a dramatic growth in coffee stocks in recent years. The government holds most of the oldest stocks that are held over from the 2000/01 year, and which are reported to be of poor quality and insect-damaged. The major producer's associations are estimated to be holding approximately 246,000 bags currently as we head into the next harvest. Processors and other smaller holders retain the remainder of the stocks.

While estimating stocks is always difficult, it is readily apparent that Venezuela will be faced with mammoth coffee stocks unless it is able to significantly increase its level of exports. Stocks may soon total an entire year's consumption, and without some intervention by the government, significant losses in the coffee sector are likely as older stocks will have to be disposed of.